Mandatory Review 337

NATIONAL INTELLIGENCE ESTIMATE

NUMBER 54/55-65

Prospects for Indonesia and Malaysia

Subprofest Profession Concurred this part of CENTRAL INTELLIGENCE.

Concurred this year.

UNITED STATES INTELLIGENCE BOARD

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- CDirector of Intelligence and Research, Department of State
- 👾 Diractor, Dalensa Intelligenca Agency
- Director of the National Security Agency

Abstaining:

Director, Lederal Bureau of Investigation, the subject being outside of their

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PROSPECTS FOR INDONESIA AND MALAYSIA

THE PROBLEM

To examine the domestic political situation and foreign policy trends in Indonesia and Malaysia, and to estimate the prospects of both countries and the probable course of their conflict with one another over the next year or so.

CONCLUSIONS

- A. The principal development in Indonesia over the past year has been the sharply accelerated growth of the Communist Party (PKI) role in government. This trend is likely to continue as long as Sukarno is in control. Opponents of this trend are discouraged and intimidated; even the military has all but lost the will to resist. The longer Sukarno lives, the better will be the PKI chances of maintaining or improving its position following his death. (Paras. 2-11)
- B. Sukarno's campaign to destroy Malaysia, now in its third year, will almost certainly continue at varying levels of intensity. There is little prospect of an Indonesian military victory and Sukarno knows it. This realization has led him to denounce and harass the entire Western presence in Southeast Asia, and indeed in the Afro-Asian world. (*Paras.* 14-16, 21)
- C. We look for a continuation of Indonesia's hostile attitude toward the US, though chances are less than even that Sukarno will go so far as to break diplomatic relations. Ties with Communist China are likely to become closer, since Sukarno sees no immediate Chinese threat to Indonesian ambitions. The desire of the Indonesian military to continue receiving Soviet arms aid will probably induce Sukarno to maintain relatively friendly relations with the USSR. (Paras. 17-23)

- D. If Sukarno dies or becomes incapacitated in the next year or so, the immediate successor government would probably be an ostensibly non-Communist coalition. The military would almost certainly exercise greater authority than at present, but would be unlikely to risk civil war to initiate a roll back of the Communists. Indeed, the Communists are already so entrenched that they could probably not be denied an important share in any successor government. (*Paras.* 12-13)
- E. In Malaysia, existing political and racial frictions will intensify, but even if no settlement is achieved, we do not believe that this will lead to a breakup of the federation during the period of this estimate. The subversive threat to Malaysia is unlikely to bring down the present regime unless it is significantly weakened by Indonesian actions on a scale which we consider improbable. (*Paras.* 24-33)
- F. Malaysia is totally dependent on British military support and its foreign policy is closely allied to that of the UK and its Commonwealth partners.

It will probably prove adequate to cope with likely Indonesian actions and to deter Sukarno from substantially bolder aggression.

(Paras. 34-36)

DISCUSSION

I. INDONESIA

A. Introduction

1. The principal development in Indonesia over the past year, overshadowing the effort to "crush" Malaysia, has been the sharply accelerated growth of the Communist role in government under the sponsorship of President Sukarno. This trend has taken on even greater significance because of Sukarno's declining health. Meanwhile, "Confrontation," though it continues to dominate Indonesian foreign policy, has become only one aspect of a broadened Indonesian campaign to remove Western influence from Southeast Asia. Pursuit of this objective has drawn Indonesia into informal alliance with Communist China.

chosen to withdraw from the UN and to plan for the establishment of a competing "Conference of the New Emerging Forces"—CONEFO—to rally Communist or any other sympathetic nations and groups in a crusade against Western influence throughout the Afro-Asian world.

B. Domestic Trends and Prospects

2. Trends. Sukarno has been Indonesia's leader for 20 years, and for several years his rule has been virtually unchallenged. Nevertheless, until about a year ago, Sukarno—despite a growing predilection for Communist terminology and for extreme leftist patterns of government activity—moved very slowly in expanding the role of the Indonesian Communist Party (PKI) in his administration. He was restrained by the Indonesian military leadership and, to a lesser extent, by the requirements of public opinion, particularly among conservative Muslims.

3. Acceleration of the pace of Communist gains over the past year is attributable primarily to the erosion of the military's will to resist Sukarno's encroachments. It is also related to Sukarno's abandonment of earlier hopes for assistance in the dispute with Malaysia. Sukarno's declining health may have made him feel a need for haste in pressing toward that "transition to the socialist stage" which he desires for Indonesia. The health problem has also intensified political infighting in which the PKI has succeeded in improving its position.

4. Only a year or so ago, the major political function of the PKI appeared to be to provide agitprop support for Sukarno's varied domestic and foreign campaigns. Today, crypto-Communists or pro-Communists hold several important ministries: the provincial governorships of Greater Djakarta, North Sumatra, and Bali: and several important municipal posts, notably the mayoralties of Medan and Surabaja. PKI representation on local governing bodies

throughout Indonesia has also increased over the past year. The quasi-official, all-embracing National Front is now almost completely dominated by the PKI.

5. The Communists, with Sukarno's encouragement, have also demonstrated power and audacity

of land by the peasants) has become more blatant and widespread, despite opposition by local Muslim and nationalist groups and the police.

- 6. Meanwhile, the political fortunes of anti-PKI elements have deteriorated. Two of Indonesia's most prominent non-Communist politicians, Adam Malik and Deputy Prime Minister Saleh, have had their once substantial administrative responsibilities severely curtailed. Saleh's primary political base, the once powerful "Generation of '45," has been taken away from him; and Malik's influential leftist (but anti-PKI) Murba Party has been outlawed. Factionalism in the large Nationalist Party is at its peak, and the party's left wing has become little more than an echo of the PKI. Perhaps most important, Sukarno has made anti-communism virtually a crime in Indonesia; the non-Communist press is almost completely silenced or intimidated, and teachers and public officials are compelled to pay at least lip service to the tenets of Marxism-Leninism as expounded by Sukarno.
- 7. The military leadership continues to hold considerable political power throughout Indonesia, but over the past several years has retreated from the strong anti-PKI position it once held. It has given in to Sukarno on several important issues. For example, the Army has begun arming and training limited numbers of "peoples' militia," a program it has long resisted; and Indonesian military strategy is now based on the assumption that the Western "imperialists," rather than the Communist Chinese, are the likely enemy. The military schools have also revised their general curricula, by injecting Communist doctrine into many subjects. Thus far, the military leadership has responded equivocally to proposals by the PKI and Sukarno to give the Communists a policy-making function in the defense establishment, a move which would quickly vitiate the military's anti-PKI potential.
- 8. The military leadership is constrained to follow Sukarno because of its heavy dependence on his personal favor for privileged and often profitable positions, and because it views Sukarno as essential to national unity. The leadership is also weakened by divisions within its own ranks. The Navy has experienced a series of major mutinies of younger officers against their Chief of Staff, which has severely shaken his authority. The Air Force Chief of Staff. is now taking Sukarno's strong pro-Communist line. Certain Army regional commanders are also known to be friendly to the PKI and might not support Army action against it. PKI influence among the lower ranking officers cannot be estimated, but it is probable that at least several hundred are under Communist influence. Communist influence among non-coms is probably more widespread.

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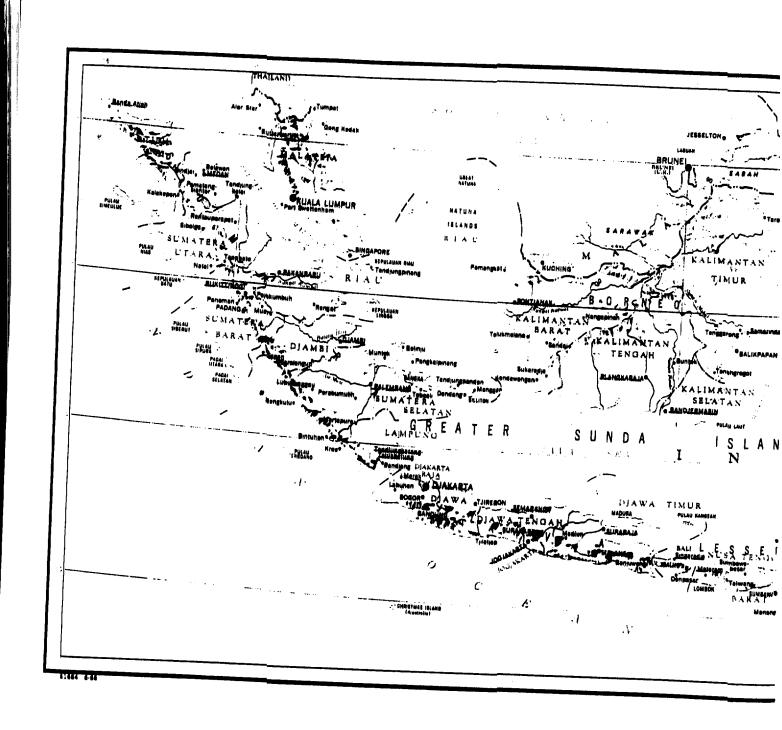
9. Prospects. The trend toward increased Communist power under Sukarno's sponsorship is likely to continue. Sukarno probably plans to grant additional Cabinet and sub-Cabinet posts to Communists and their sympathizers and to enlarge the PKI role in provincial and local administrations. He will almost certainly move to eliminate remaining pockets of overt opposition to such moves among non-Communist politicians and to restrain or break up the most outspoken conservative Muslim groups.

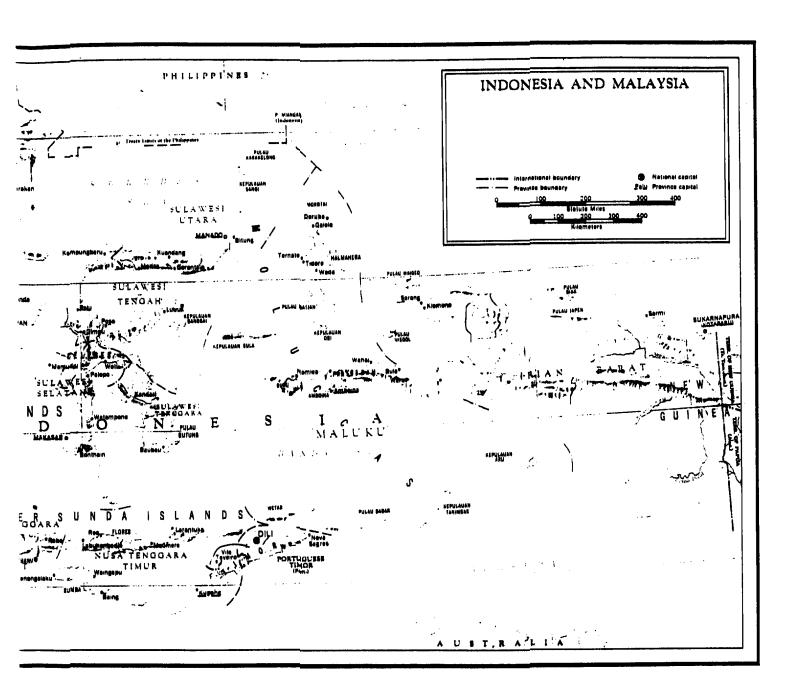
Economic planning and practice will continue to stress grandiose projects, but there is little prospect that measures adequate to improve economic conditions will be adopted. Sukarno's policies are likely to accelerate the deterioration of the Indonesian economy and contribute to increased distress of the urban population. We do not believe, however, that Sukarno is likely to be threatened by repercussions from the worsening economic situation; his powers of persuasion and the coercive powers of the police and the Army could probably bring any series of civil disorders under control quickly.

10. In pressing his pro-Communist campaign. Sukarno probably does not intend that the PKI shall come to dominate Indonesia in his lifetime and threaten him with the possible loss of his unique position. Bather, we believe that he seeks to evolve a "national-front" government comprising all radical and nationalistic elements loyal to him and his policies. He probably views the PKI as best qualified by size, organization, experience, and ideology to play the leading, but not dominating, role in such a government. In his view, strong Communist participation would also insure sustained and effective pursuit of his campaign to oust the West from Southeast Asia.

11. Conceivably the PKI could become powerful enough to threaten Sukarno's own dominance, but so long as the Indonesian military remains basically hostile to the PKI. Sukarno would be in no danger in this respect. For its part, the PKI would almost certainly not challenge his position by diverging from its present cooperative and profitable course. PKI leaders probably believe that continuing party gains will eventually permit them to assume the leading governmental role under only generalized supervision by Sukarno. They probably hope that the party will become so entrenched under his protection that, when he leaves the scene, the military will have neither the will nor the ability to oppose its predominance in the government. The longer Sukarno lives, the better will be PKI chances of maintaining its position following his death.

12. The Succession. Sukarno is 64 and in poor health. His doctors believe that he can survive his serious kidney ailment only another year or two without major surgery, and perhaps no more than five years in any case. In the event of Sukarno's death or incapacity in the next year or so, the immediate successor government would probably be ostensibly non-Communist and headed by a coalition of familiar non-Communist military and civilian names. The PKI has only limited potential for armed insurgency and would almost certainly not wish to provoke the military into open opposition. Hence we believe that the PKI would be unlikely to attempt a seizure of full power by force. The military would, for a time, almost certainly exercise greater authority than at present





because its support would be essential to the maintenance of public order, but it would be unlikely to risk civil war to initiate a roll back of the Communists. For its part, the new leadership, anxious to avoid PKI agitation in the country-side, would probably not initiate a purge of Communists in national or local administrations. A period of political ferment would inevitably follow. Although the outcome cannot be estimated. Communist strengths and capabilities are already such that the Communists could probably not be denied an important share in any successor government.

13. Indonesian domestic policies would probably not change significantly in the first months following Sukarno's departure, mainly because of general unwillingness to rock the political boat. The current flirtation with Communist China might cool, and there would probably be a growth of cordiality toward the USSR, if only at the insistence of the military who rely on continued Soviet arms shipments. For want of a prominent spokesman, Indonesia would probably become generally less boisterous on the Afro-Asian scene.

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The new leaders would probably not cease to agitate the anti-Malaysia issue, but continue the campaign in a lower key. The aggressively nationalist doctrines of the Sukarno era and the broad commitment to regional hegemony will almost certainly persist.

C. Foreign Policy Trends and Prospects

14. Confrontation. The two-year-old campaign to "crush" Malaysia continues, though there is little prospect of an Indonesian military victory in the near future and Sukarno knows it. He persists in this course for several reasons: he is committed to it in the eyes of his people and the rest of the world; it strengthens national unity and helps to justify the siege mentality that diverts attention from economic problems at home; it bolsters his reputation as a militant leader in the worldwide struggle against "neocolonialism;" and, finally, he is probably convinced that it contributes to the weakening and ultimate destruction of the Malaysian state.

15. Confrontation reached a peak of intensity during August and September 1964, when groups of up to 100 uniformed Indonesians were landed by sea and parachuted into southernmost Malaya to commit sabotage, to recruit and train insurgents, to establish guerrilla redoubts, and generally to harass local security forces and demoralize the population. The effort failed, though it did succeed in tying up large numbers of British and Malaysian troops and in impressing Kuala Lumpur with Indonesian audacity. The episode was followed by British threats of retaliation and the adoption of a more aggressive policy by Commonwealth forces in northern Borneo. These and other events have apparently convinced Sukarno—at least for the present—of the perils of proceeding beyond minor infiltrations of Malaya and Singapore and small-unit military action in northern Borneo, both coupled with a variety of subversive activities.

16. Other Foreign Relations. Growing frustration with the failure of Confrontation to date

has led Sukarno to broaden his campaign. He now attacks the entire Western presence in Southeast Asia, indeed, in the Afro-Asian world in general, and refers to this effort as "the struggle of the New Emerging Forces (NEFO) against the Old Established Forces (OLDEFO)." This shift in emphasis has helped to disguise the failure to destroy Malaysia and offered a personally satisfying psychological substitute. It has also permitted him to move toward closer ties with Communist China, overriding deep-seated antipathies in Indonesia, particularly among the military. It has not, however, helped to reinforce Sukarno's position as the self-proclaimed spokesman of the Afro-Asian states, most of whose leaders are offended by his overbearing and contemptuous attitude toward them and disturbed by his closeness to the Chinese Communists.

17. Indonesia's growing cordiality toward Peiping is based on a near identity of short-term interests in Southeast Asia; both seek the elimination of the US presence. A contributing element is Sukarno's personal admiration for Mao and his organizational achievements. Their informal alliance has been nourished by the distinctly pro-Chinese posture of the PKI in the Sino-Soviet dispute. Sukarno also views Chinese support of "national liberation" movements as an endorsement of his own NEFO-OLDEFO doctrine.

18. Indonesia has derived relatively little material gain from its close relationship with Peiping. A few Chinese advisers and technicians are now in Indonesia. China has shipped small quantities of rice, textiles, and other consumer goods to Indonesia and has provided some small arms as well. Perhaps more important to Sukarno, the Chinese have been lavish in their praise for his foreign policy initiatives, particularly his withdrawal from the UN. For its part, Indonesia has shown a readiness to front for and support the Chinese line at a variety of Afro-Asian conferences.

19. The growing congruence of Indonesian and Chinese Communist objectives, statements, and actions has cooled Djakarta's relations with Moscow. The USSR has failed to receive significant Indonesian support for its participation in Afro-Asian conferences. Instead, it has seen Sukarno tolerate vehement PKI attacks on the whole gamut of Soviet domestic and foreign policy. The only major Soviet asset in the effort to maintain some influence with Sukarno is its vast military assistance program, particularly Indonesia's need to service and replenish with spare parts the equipment already acquired.

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1,3(2)(4)(5) 21. Prospects. Despite its overall lack of success to date, we believe that Sukarno intends to continue the military campaign to weaken and dismember Malaysia. As before, he will probably press forward at varying degrees of intensity, seeking to avoid an open war but occasionally testing British resolution with some flamboyant military operation. There is some danger that in carrying out his campaign he may miscalculate the British response. In adhering to his Confrontation tactics. Sukarno will occasionally move the dispute to the conference table, But he would be unlikely to terminate the campaign unless an agreement were reached which 1.3(a)(4)(5) opened the way for the achievement of his objectives—the withdrawal of Commonwealth forces and the dismemberment of Malaysia. 22. Indonesian cordiality toward Communist China is likely to continue. Sukarno and most of his top leaders are aware of the long-term dangers of growing Chinese strength in Southeast Asia, but they see the Chinese threat as a distant one, to be considered when more immediate obstacles to Indonesian ambitions have been overcome. As for the USSR, the Indonesian military will probably urge Sukarno to repair relations with Moscow so that Soviet military aid will continue and expand. Chances are at least even that Sukarno will heed this advice, partly in response to the renewed Soviet interest in Southeast Asian affairs and in the "anticolonial" struggle generally. He might grant the USSR such tangible concessions as satellite tracking stations and the limited use of Indonesian air and naval facilities. 23.

II. MALAYSIA

A. Introduction

- 24. Malaysia's internal problems are political and racial. Racial antagonism is not now vigorous among the masses of the people, and the important political parties are still not exclusively racial in character. Yet suspicions among the various ethnic groups in Malaya, Singapore, Sarawak, and Sabah have not been overcome, and almost every issue that now arises in the new federation takes on communal overtones. These latent antagonisms could readily be aroused by extremist or reckless political leaders. Occasionally there are acts of violence, and there are reasons to believe that a period of increased racial tension may be approaching.
- 25. Confrontation remains Malaysia's greatest external threat. At the same time, Indonesian hostility provides an issue which strengthens a feeling of mutual interdependence among the various areas and races. The morale of the population has also been boosted by the forthright manner in which the UK has come to Malaysia's defense. In the foreign relations arena, Indonesian actions have drawn sympathy and support for Malaysia from some Afro-Asian quarters once unfriendly to its conservative pro-Western regime.
- 26. Nevertheless, Confrontation has exposed the fragility of the Malaysian state. Its armed forces are not adequate to contain such limited military activities as the Indonesians have carried out, much less to face an all-out attack. Djakarta is attempting, though so far without much success, to exploit the ethnic and political cleavages that existed at Malaysia's birth in September 1963.

B. Domestic Trends and Prospects

- 27. Trends. Though the problems of communalism, communism, and regionalism which plagued Malaysia at its inception have in some instances worsened over the past two years, the government of Malaysia is reasonably stable. The federal political apparatus is dominated by Prime Minister Tunku Abdul Rahman's Alliance, a conservative coalition of Malay, Chinese, and Indian parties which has governed in Kuala Lumpur for almost a decade.
- 28. Behind Alliance rule is a tacit agreement between Malay-Muslim leaders and the Chinese business community of the Malaysian mainland, whereby the former are allowed to wield the preponderant political power in return for implicit guarantees to the latter of personal and economic well-being. This concept is intended to serve as a device to help the relatively backward Malays to catch up—in education, business, and government—to the more energetic and advanced Chinese who might otherwise quickly dominate Malaysia.

Though not wholly satisfactory to the Chinese and other races, since it leaves political power largely in Malay hands, this formula had been widely accepted up to now on the mainland as the best available. Rahman and other Malay leaders expected to extend it to all of Malaysia, i.e., by bringing into the ruling Alliance the moderate and conservative communal parties of Singapore, Sarawak, and Sabah. This effort has been largely unsuccessful.

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30. The political difficulties among Malaysia's non-Communist parties have tended to obscure the continuing subversive threats to its existence. On the Thai-Malaya border, several hundred hard-core Malaya Communist Party guerrillas are the object of considerable concern in Kuala Lumpur. A small number of Communists elsewhere in Malaya and in Singapore have assisted Indonesian infiltrators. The once powerful pro-Communist Barisan Sosialis Party of Singapore has turned to peaceful tactics, but certain factions are now pressing for a renewal of strikes, demonstrations, and mass violence against the government. The most dangerous Communist group at this time is the Clandestine Communist Organization (CCO) in Sarawak. The CCO is composed almost entirely of ethnic Chinese; it has 1,400-1,600 hard-core members, partially armed and trained by the Indonesians, and 20,000-30,000 sympathizers. The CCO

could sustain a paramilitary effort of serious dimensions. The subversive situation in Sabah is less serious, though some 30,000-40,000 Indonesian plantation laborers remain a source of concern.

31. A far less serious threat is posed by pan-Malay sentiment, which looks to the ultimate goal of a state embracing all Malay-Muslim peoples of Southeast Asia. Some pan-Malay extremists within Malaya have covertly aided the Indonesian campaign to subvert the Kuala Lumpur government. About 100 are under arrest or have fled the country. For the time being, however, pan-Malay sentiment (which is primarily anti-Chinese) has been set back by Sukarno's Confrontation policy and by his cooperation with the Chinese Communists.

32. Prospects. Over the next year or so, existing political and racial frictions Malaysia will probably increase in intensity. The principal cause of domestic asions will be the rivalry between Kuala Lumpur and Singapore, which may be on increasingly racial overtones. The chances are about even that, in order reduce pressures, the leaders of the two sides will reach some sort of accompodation, although some sudden act by either side which would invite racial plence cannot be precluded. While Singapore unquestionably wants more tonomy than it now has, particularly with respect to police powers, its consued interest in the economic benefits of federation should inhibit actions nich might threaten dissolution of the federation.	./E\
Hence, we do not believe that the struggle between Kuala Lumpur and Singapore will lead to the breakup of Malaysia during the period of this timate.)(0)
33. Internal threats to Malaysia will remain potentially serious, but unlikely bring down the present regime unless it is significantly weakened by Indossian actions on a scale which we consider improbable. One of the great rengths of Malaysia is its relatively prosperous economy. Prospects for connuation of this favorable situation are good, despite some lingering effects. Singapore from Indonesia's economic boycott. The principal economic hurdle ill be the necessity for increased military budgets which will tend to restrict uch-needed domestic developmental plans, particularly in Borneo.	
. Foreign Policy Trends and Prospects	
34. In the face of Indonesian hostility, Malaysia is utterly dependent on British ilitary support.	vel
ill probably prove adequate to cope with likely Indonesian actions and to deter ukarno from substantially bolder aggression. In consequence, Malaysian forign policy is closely allied to that of its Commonwealth partners. Malaysia will benefit in international conclaves from the firm support of most Afro-Asian members of the Commonwealth, particularly India and Nigeria. In the broader fro-Asian sphere, Malaysia's dependence on the military support of white commonwealth nations will tend to conflict with its strong desire to be recogized as a bona fide member of the Afro-Asian community.)(o)
35. Malaysians probably now believe that Commonwealth forces are sufficient contain Sukarno over the next few years, but they are less confident over the onger term and concerned too over the potential threat from Communist China.	
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36. Thailand remains Malaysia's closest Asian friend. The Thais, who tried for many months to mediate the Confrontation dispute, have become disgusted with Indonesian tactics and now express outright sympathy for Malaysia. Malaysia and the Philippines now have consular relations, but efforts to reestablish diplomatic relations are stalemated pending a resolution of Manila's claim to parts of Sabah. The issue is quiescent and unlikely to be revived until after the Philippine elections in the fall of 1965. Malaysia and the Republic of China have moved closer in the past year and this trend is likely to continue, although domestic considerations will probably prevent Malaysia from agreeing to the establishment of full diplomatic relations.

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